

GATEWAY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2012

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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Kelley,
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gateway Area Development District
Morehead, Kentucky

We have audited the accompanying statement of net assets of Gateway Area Development District (the "District"), as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Gateway Area Development District. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Gateway Area Development District as of June 30, 2011, were audited by other auditors whose report dated September 13, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gateway Area Development District as of June 30, 2012, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of Gateway Area Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Gateway Area Development District. The supplemental schedules on pages 21 through 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Additionally, the schedule of expenditures of federal awards contained on pages 28 through 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of Gateway Area Development District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kelly, Dalloway & Company, PSC
September 26, 2012

**GATEWAY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2012**

Gateway Area Development District (GADD) is a governmental non-profit corporation formed pursuant to KRS Chapter 147A. One of fifteen statewide Area Development Districts established in 1969, its mission is basic: to bring local civic and governmental leaders together to accomplish major objectives and take advantage of opportunities which cannot be achieved or realized by those governments acting alone. Also it serves as a focal point of a necessary federal-state-local partnership for improvement of the quality of life in the region and the Commonwealth. GADD serves as a forum, clearinghouse, technical center, and a convener for the five-county area of Bath, Menifee, Montgomery, Morgan, and Rowan counties. As outlined in KRS, the ADD acts as the planning and administrative entity for the region.

GADD is governed by a Board of Directors comprised of elected officials from the counties and communities within the District, as well as non-elected citizen members representing a cross-section of the region's social and economic institutions. The office is managed by an Executive Director who reports directly to the Board. Office staff reports to the Executive Director.

GADD is also recognized by the Internal Revenue Service as "Gateway Area Development District, Inc." as a 501 (c) tax-exempt organization determined eligible to receive tax-deductible contributions. Due to massive destruction the March 2, 2012 storms and tornados caused in its counties, GADD Inc. currently serves as the fiscal agent for the *Morgan County Tornado Relief Fund*.

This discussion and analysis narrative provides an overview of GADD's financial performance during the 2012 fiscal year, as compared to the prior fiscal year ending June 30, 2011. Please read the following in conjunction with the audited financial statements and the accompanying notes.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditors report, the GADD's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

GADD's financial statements utilize the accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board. GADD is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the five county area. As such, the entity-wide financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These statements display information about the entity as a whole.

GADD does not utilize multiple funds in accounting for its financial activities; therefore fund type statements are not presented. The statement of net assets details GADD's investments (assets) and

debt (liabilities). The statement of net assets is very similar to the balance sheet. The statement of revenues, expenses and changes in net assets details revenue classified by source and expenditures by object for separate fiscal years and the statement of changes in net assets takes into account adjustments for prior year events.

GADD's FINANCIAL ANALYSIS

The enclosed financial statements indicate that the overall financial condition of GADD improved for the fiscal year ended June 30, 2012 as summarized in the following table.

Condensed Statement of Net Assets

	<u>FY 2012</u>	<u>FY 2011</u>
Current Assets	\$1,436,720	\$ 1,243,646
Notes Receivable, long term	424,725	344,368
Capital Assets	1,016,001	1,074,210
Amortized Assets	<u>12,665</u>	<u>13,027</u>
Total Assets	<u>\$2,890,111</u>	<u>\$ 2,675,251</u>
Current Liabilities	\$ 445,046	\$ 345,070
Long Term Liabilities	<u>1,244,557</u>	<u>1,275,367</u>
Total Liabilities	1,689,603	1,620,437
Net assets		
Invested in capital assets	(138,737)	(98,341)
Restricted for depreciation	33,495	22,722
Restricted for economic development	504,709	575,239
Unrestricted	<u>801,041</u>	<u>555,194</u>
Total Net Assets	1,200,508	1,054,814
Total Liabilities & Net Assets	<u>\$2,890,111</u>	<u>\$2,675,251</u>

At the close of the fiscal year, assets exceeded liabilities by \$1,200,508. Total assets increased significantly from June 30, 2011 primarily due to a \$234,409 increase in unrestricted or operating cash-on-hand. One new Revolving Loan Fund note was issued in FY 2012, contributing to the \$106,171 net increase in outstanding notes receivables as of June 30, 2012.

GADD's normal operating liabilities decreased by approximately 7.65% in FY 2012, although total liabilities increased by \$69,166. This is primarily contributable to recognizing \$121,844 in funds GADD, Inc. held in the Morgan County Tornado Relief Fund on June 30, 2012. Long term liabilities decreased in direct relation to the annual mortgage payment required by the USDA Rural Development and required payments to the Kentucky Housing Corporation.

Overall, fiscal year 2012 reflects as 8.03% increase in total liabilities and net assets from June 30, 2011.

GADD's revenues earned and expenses incurred throughout fiscal year 2012 were in accordance with management's expectations. GADD closed the year with an overall increase to net assets of \$145,694, whereas fiscal year 2011 net assets reflected an overall gain of \$136,178.

The following statement of revenues, expenses, and changes in net assets provides a more detailed look.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FY 2012</u>	<u>FY 2011</u>
Federal revenues	\$ 756,591	\$ 720,447
State revenues	1,424,788	1,516,174
Local and in-kind	318,487	335,799
Revolving loan interest	<u>17,950</u>	<u>19,301</u>
Total Revenues	<u>2,517,816</u>	<u>2,591,721</u>
Expenses		
Salaries	646,364	629,181
Fringe benefits	317,576	302,681
Travel	57,408	51,172
Contractual	1,004,288	1,107,552
Other	<u>329,130</u>	<u>317,708</u>
Total Operating Expenses	<u>2,354,766</u>	<u>2,408,294</u>
Operating Income (Loss)	163,050	183,427
Non-operating Income (Expense)		
Bank interest	411	740
Interest expense	<u>(47,767)</u>	<u>(49,114)</u>
Increase (Decrease) in net assets	115,694	135,053
Net assets – beginning of year	1,054,814	918,636
Adjustments and changes	<u>30,000</u>	<u>1,125</u>
Net Assets – End of Year	<u>\$ 1,200,508</u>	<u>\$ 1,054,814</u>

From June 30, 2011 to June 30, 2012, total net assets increased by 13.81% or \$145,694. Current fiscal year revenues decreased slightly (2.85% or \$73,905) from fiscal year 2011 while expenses also decreased slightly (2.22% or \$53,528). Operations reflect a net gain of \$163,050, which is \$20,377 less than fiscal year 2011's net gain.

GADD's federal and state revenue attributable to externally-funded grants and contracts incurred a

2.47% (\$55,242) decrease, consisting primarily of a reduction in the Area Agency on Aging funding and termination of the Workforce Investment Act contract. (GADD is bound by contract limitations, and in some cases, these funds were insufficient to fully cover the corresponding administration costs.) The state Consumer Directed Option program increased its average number of clients in FY 2012 resulting in a significant net gain of \$96,242 or \$24,208 more than fiscal year 2011.

There are two primary types of local revenue. The first type is any money received by GADD that is not related to a specific program, such as local county dues, or is from a non-governmental entity.

The other type is funds contributed to a federal or state funded program by an individual, local government, or agency, such as county funding used to support the area senior citizens center's bus driver. Local in-kind contributions represent any non-paid amount, such as volunteer time, for which a value can be calculated. Only local funding received directly by GADD can be used to subsidize day-to-day activities and makes up only a small portion of the total local funds shown above. Overall total local revenue from all sources decreased by 7% during fiscal year 2012.

An analysis of expenditures shows that both salaries and fringe benefits increased during the current fiscal year, 2.73% and 4.92% respectively. These increases were controlled by management's decision to reduce the number of full-time employees because of budget constraints.

Agency-wide travel expenses increased by \$6,236 during fiscal year 2012, primarily due to more clients being served by aging programs and an increase in the federal private vehicle reimbursable mileage rate. Both factors were in accordance with management's expectations and budget.

Contractual expenses, primarily related to the Area Agency on Aging, decreased by approximately 9%. Other operating expenses reflected a slight increase of \$11,422.

Non-operating bank interest earnings decreased significantly, 44.46%, as expected with the ongoing decline in interest rates. GADD was able to decrease its non-operating interest expense as a result of monitoring its cash flow closer whereby the established lines of credit were not needed.

Adjustments and changes to net assets represent occurrences that are not related to current year revenues or expenditures. In fiscal year 2012, GADD received \$30,000 cash from an old performance contract account which had been previously written-off.

CAPITAL ASSETS

GADD continued to invest in capital assets during fiscal year 2012. The amount includes property, equipment, building and land. Capital assets had a net balance of \$1,016,001 at June 30, 2012.

	June 30, 2011	FY 12 Additions	June 30, 2012
Property and equipment	\$ 459,413	\$ 1,351	\$ 460,764
Equipment	1,109,831	-	1,109,831
Total capital assets	1,569,244	1,351	1,570,595
Less: accumulated depreciation	(495,034)	(59,560)	(554,594)
Capital Assets - Net	<u>\$ 1,074,210</u>	<u>\$ (58,209)</u>	<u>\$ 1,016,001</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

GADD considered many factors when initially setting the fiscal year 2012 budget and the continual monitoring thereof. Our Area Development District receives most of its funding from federal, state and special contracts. Because of this, a portion of the source of income is fairly steady except for state-imposed budget reductions. With contract responsibilities and expenses increasing and revenue decreasing, it is very difficult to manage. It is a constant battle to bring in enough contracts to cover what we need to do for our region. Most of our contracts are on a reimbursement basis and our contractors, being governmental entities, are sometimes slow to pay. We are committed to providing as close to the same level of service, as funding allows. As a safeguard to be sure that there is no interruption of service, we have available to us a line of credit which will cover any temporary cash deficiency.

The major impact for fiscal year 2012-13 will be the continued effort to (1) seek new federal and state funding sources and (2) acquire additional Performance Based contracts to offset the deficiency in the federal and state funded programs. Federal and state funding amounts must increase to help offset the costs required to properly administer those specific programs. Without such, management must rely upon Performance Based funding to contribute to those programs that fall short in funding. Fiscal year 2012 performance based contracts suffered a \$19,293 loss, leaving no unexpended funds to cover shortages in federal and state projects. GADD's dependency on external contracts will continue to be a high priority and of utmost importance.

Additionally, GADD remains concerned about the increases in the pension or CERS rate and in the state's health insurance costs. The County Employees Retirement System (CERS) employer contribution has risen from 16.93% in FY 2011 to 18.96% in FY 2012 to 19.55% in FY 13, for an overall increase of 15% in just two years. Calendar year 2012 health insurance premiums were approximately 2% higher than 2011's rate, and GADD is anticipating another 2-3% increase for calendar year 2013. These combined higher costs negatively impacts GADD's ability to hire full-time employees.

GADD has endured another difficult year, financially. For example, stipulations of contracts like the Transportation Regional Planning require a full time employee but there aren't enough funds to cover a seasoned full time employee. It is a continual struggle to manage the agency's current workload, while seeking additional external contracts, with a limited number of staff and resources.

CONTACTING GADD

The financial report is designed to provide GADD's citizens, investors, creditors, and other interested party's with a general overview of the agency's finances and to demonstrate GADD's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Gail K. Wright, Executive Director, at 110 Lake Park Drive, Morehead, KY 40351. Mrs. Wright may also be reached by phone at (606) 780-0090, ext. 2108 or at gailk.wright@ky.gov.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

ASSETS	2012	2011
Current assets -		
Cash - unrestricted	\$ 421,519	\$ 187,110
Cash - restricted	466,384	476,183
Accounts receivable	434,217	491,567
Restricted notes receivable, net	114,600	88,786
Total current assets	1,436,720	1,243,646
Notes receivable, net of current portion	424,725	344,368
Amortized assets, net	12,665	13,027
Capital assets, net	1,016,001	1,074,210
Total assets	<u>\$ 2,890,111</u>	<u>\$ 2,675,251</u>
LIABILITIES AND NET ASSETS		
Current liabilities -		
Accounts payable	\$ 156,343	\$ 175,460
Accounts payroll and payroll taxes	14,847	12,382
Accrued annual leave	38,495	41,582
Accrued interest payable	3,627	-
Other current liabilities	16,022	13,455
Deferred revenue	67,356	78,394
Funds held for Morgan County Tornado Relief Fund	121,844	-
Notes payable, current portion	26,512	23,797
Total current liabilities	445,046	345,070
Long-term debt	1,244,557	1,275,367
Total liabilities	1,689,603	1,620,437
Net assets -		
Invested in capital assets, net	(138,737)	(98,341)
Restricted for depreciation	33,495	22,722
Restricted for economic development	504,709	575,239
Unrestricted	801,041	555,194
Total net assets	1,200,508	1,054,814
Total liabilities and net assets	<u>\$ 2,890,111</u>	<u>\$ 2,675,251</u>

The accompanying notes to financial statements
are an integral part of these statements.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
REVENUES		
Federal	\$ 756,591	\$ 720,447
State	1,424,788	1,516,174
Local (includes in-kind)	318,487	335,799
Revolving loan interest	17,950	19,301
Total revenues	<u>2,517,816</u>	<u>2,591,721</u>
EXPENSES:		
Salaries	646,364	629,181
Fringe benefits	317,576	302,681
Travel	57,408	51,172
Contractual	1,004,288	1,107,552
Other	329,130	317,708
Total expenses	<u>2,354,766</u>	<u>2,408,294</u>
OPERATING INCOME	<u>163,050</u>	<u>183,427</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	411	740
Interest expense	(47,767)	(49,114)
Total nonoperating revenues (expenses)	<u>(47,356)</u>	<u>(48,374)</u>
NET INCREASE IN NET ASSETS	115,694	135,053
BEGINNING NET ASSETS	1,054,814	918,636
Adjustments for accounts receivable (deferred income) and write-offs from prior years	<u>30,000</u>	<u>1,125</u>
ENDING NET ASSETS	<u><u>\$ 1,200,508</u></u>	<u><u>\$ 1,054,814</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Grant receipts	\$ 2,121,520	\$ 1,972,108
Other receipts	488,281	368,017
Cash paid to/for:		
Payments to suppliers and providers of goods and services	(1,350,021)	(1,456,814)
Payments to employee services and benefits	(961,995)	(928,025)
Net cash provided by (used for) operating activities	<u>297,785</u>	<u>(44,714)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(44,140)	(47,453)
Purchase of property, plant and equipment	(1,351)	(17,174)
Principal paid on capital debt	(28,095)	(21,772)
Net cash used for capital and related financing activities	<u>(73,586)</u>	<u>(86,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	411	740
Net cash provided by (used for) investing activities	<u>411</u>	<u>740</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Line-of-credit interest	-	(2,670)
Change in line-of-credit, net	-	(114,518)
Net cash used for non-capital financing activities	<u>-</u>	<u>(117,188)</u>
NET INCREASE (DECREASE) IN CASH	224,610	(247,561)
CASH AT BEGINNING OF YEAR	<u>663,293</u>	<u>910,854</u>
CASH AT END OF YEAR	<u>\$ 887,903</u>	<u>\$ 663,293</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income	\$ 163,050	\$ 183,427
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	59,922	57,309
Prior year deferred grant activity	30,000	1,125
Adjustment to accumulated depreciation (Note 20)	-	6,475
Change in assets and liabilities:		
Accounts receivable	57,350	(209,574)
Loans receivable	(106,171)	(41,451)
Accounts payable	(19,117)	(44,166)
Accrued expenses	5,032	853
Accrued leave	(3,087)	2,980
Funds held for Morgan County Tornado Relief Fund	121,844	-
Deferred revenues	(11,038)	(1,692)
Net cash provided by (used for) operating activities	<u>\$ 297,785</u>	<u>\$ (44,714)</u>

The accompanying notes to financial statements
are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Gateway Area Development District (the "District") is a governmental non-profit corporation formed pursuant to KRS Chapter 147A which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of a five-county area consisting of the counties of Rowan, Bath, Morgan, Menifee and Montgomery. The fifteen member Board of Directors is composed of officials of political subdivisions and private citizens within the District. Executive Order 71-1267, signed May 1969, designated the District as the official comprehensive planning and program development agency for eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95 known in Kentucky as KIRP, Kentucky Intergovernmental Review Process. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423) which created and established the District under Kentucky Law.

The purpose of the District is to promote, protect and develop the economy, health, education and general welfare and to implement projects for the people of the counties included in the District, and to further act in conjunction with adjoining area development districts in the Northeastern Kentucky area.

In evaluating how to define the government for financial reporting purposes, management of the District has considered all potential component units. The criteria for including a potential component unit within the reporting entity is (1) ability to exercise oversight responsibility, (2) scope of public services, and (3) special financing relationships. Based upon these criteria, management has not included any component units as part of the reporting entity.

Basis of Presentation

The financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

- Management's discussion and analysis (required supplementary information)
- Basic financial statements:
 - Entity-wide financial statements/fund financial statements
 - Notes to the financial statements

Entity-wide financial statements – the District is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the five county area. No entity wide statements are required because a single proprietary fund is used for the District.

Fund financial statements – the District's financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flow.

The District follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not contradict GASB pronouncements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The District uses the accrual basis of accounting.

Revenues – The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts based upon the percentage of completion of agreed upon services method.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Deferred revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Revolving Loan Notes Receivable

Revolving loan notes receivable are stated at face value, less an allowance for loan losses. The allowance is established through periodic charges to direct expenses.

Compensated Absences

Full-time employees of the District accrue sick leave at the rate of 10 hours per month. Temporary and part-time employees earn no benefits. Annual leave is earned on the same basis as sick leave and both can be carried forward from one year to the next. Also, both sick and annual leave can be carried forward, except by fiscal year end, the accumulated balance cannot exceed 720 and 240 respectively.

The accrued leave liability for accumulated annual leave reported in the statement of net assets at June 30, 2012 and 2011 was \$38,495 and \$41,582, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit at financial institutions.

Inventory

Supplies and materials are charged to expenses when purchased.

Allowance for Doubtful Accounts

The allowance for loan losses related to revolving loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic

conditions that may affect the borrowers' ability to pay.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Automobiles	5 years

Budgets and Budgetary Accounting

The District is required to adopt a budget annually, file it with the County Clerk as a special district, and provide a copy to its member counties. Budgetary restrictions apply primarily at the grant level. The District utilizes the budget as an operational and management tool and a cost allocation plan is approved by the Department for Local Government. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons.

In-Kind

In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. For the District, those revenues are primarily grants and interest earned on revolving loans. All other revenues are nonoperating, such as investment income. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating, such as interest expense.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year

2013 and thereafter. The District has not completed the process of the evaluation of GASB No. 62, but does not expect it to have an impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. The District has not completed the process of evaluating GASB No. 63, but it is expected to change only the formatting and naming of its statement of position and components thereof, with no overall financial impact.

(2) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) COST ALLOCATION

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan.

All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in OMB Circular A-87 as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purpose benefiting more than one grant and/or program element. All costs are recognized under the provisions of OMB Circular A-102. Below is a listing of direct and shared costs as they are charged by the District.

1. Salaries – The agency support staff (including most of the Executive Assistant, Staff Assistant, Finance Officer's and Executive Director's time) is charged as shared. If an unusual amount of time is needed in specific elements, these positions may upon occasion charge hours directly to programs. If used primarily in a sufficient amount, it should be recognized as direct costs to the respective program element in which they worked. All program planners and coordinators salaries are charged as direct costs to the respective program element in which they work.
2. Fringe Benefits – All employee burden (e.g. FICA, workman's compensation, retirement, health insurance, etc.) which can be specifically related to an employee whose salary is being charged as a direct cost. The employee burden related to an employee, whose salary is charged as a shared cost, is charged as a shared cost. Where employee burden cannot be broken down into each specific element or employee, it is charged as a shared cost.
3. Shared Costs – All costs that cannot be attributed directly to a program that are related to all work that the District performs is shared cost. This shared cost is distributed among the work elements directly in relation to the salaries and burden for the staff working the program.
4. Consultant Contracts and Contractual Services – All consultant contracts are charged as direct cost to the specific appropriate element.
5. Printing and Publications – Printing which is directly attributable to a specific work element

is charged as a direct cost to the element, and consideration has been given to those direct costs in preparing the budget. Publications, whether prepared in-office or out-of-the-office, are charged to those specific work elements to which they apply. Ads, notices of hearing, etc. that are printed as legal notices, are charged as direct costs where they can be identified in a sufficient amount. Miscellaneous printing is charged as a shared cost.

6. Travel – An employee who travels pertaining to a specific element, charges time to that work element for which the travel expense is incurred. An employee who travels pertaining to more than one work element, and can specifically identify that work element, also charges the cost to more than one work element. All travel of shared personnel is charged as a shared cost. Due to the limited number of staff and funds available, staff persons frequently utilize trips to cover more than one work element.
7. Board Travel – Board members who travel pertaining to a specific element, charges travel to that work element for which the travel expense is incurred. Any travel that does not pertain to a certain work element will be charged as a shared cost.
8. Vacation and Sick Leave – All leave is charged to the leave accrual account in accordance with the directions provided by the JFA Bookkeeping Manual. Each month, a specific percentage of the monthly amount charged to each element for salary is also added as a vacation accrual. Vacation accrual, which pertains to shared cost salaries, is also charged as shared cost. These provisions permit the correct charging of each element. It also assures that each grant fund is charged equitably for vacation accrual.
9. Audit Fees – Audit fees are charged as a shared cost. The accounting system permits each element to accept proportionate amounts of charges. Any additional charges that are directly related to extra work in a specific element will be charged directly to the program.
10. Space Cost – The space cost and routine repair and maintenance is charged as a shared cost, unless otherwise determined by the Executive Director to be exclusively for a specified work element. The District's mortgage payment, utilities, cleaning, internet, telephone and repairs are included as shared cost.
11. Equipment-Rental/Purchasing/Maintenance – All equipment rentals, purchases, and maintenance costs are charged as shared cost.

All additional costs not identified above are charged as (a) a direct cost if specifically identifiable with a particular element or (b) as a shared cost if incurred for a common or joint purpose benefiting more than one element and is not readily assignable.

(4) GRANTS RECEIVABLE

Federal, state, and local receivables are expected to be fully collectible. At June 30, 2012 and 2011 local receivables are shown net of an allowance of \$2,979 and \$11,471, respectively. Federal, state, and local grants receivable consists of the following:

	2012	2011
Aging	\$ 92,259	\$ 260,474
CDO	84,100	92,769
Hazard Mitigation	24,196	1,859
Transportation	14,524	8,071
WIA	-	17,961
Menifee County ARC Planning	7,408	-
Morgan/Wolfe Rural Development	73,225	-
Various Local	138,505	110,433
	<u>\$ 434,217</u>	<u>\$ 491,567</u>

(5) LOANS RECEIVABLE

The Revolving Loan Program was established by initial grants from the Economic

Development Administration to assist high-risk small businesses in the area local communities with infrastructure.

The Nonprofit Housing Production Loan Program's funding originates from the Kentucky Housing Corporation to provide loans to purchase or rehabilitate homes for low-income individuals.

	2012	2011
Revolving loans - business	\$ 718,704	\$ 594,089
NHPLP	73,390	84,071
Total loans	792,094	678,160
Less: allowance for NHPLP	(17,416)	(9,653)
Less: allowance for RLP	(235,353)	(235,353)
Net loans	539,325	433,154
Less: current portion	(114,600)	(88,786)
Long-term portion of loans	<u>\$ 424,725</u>	<u>\$ 344,368</u>

(6) REVOLVING LOAN PROGRAMS

The District received a grant of \$500,000 from the U.S. Department of Commerce, Economic Development Administration (EDA) to establish a revolving loan program to stimulate economic development in the area. In addition, the District provided a local match of \$167,000, as required by the grant. At June 30, 2012 and 2011, the accompanying financial statements include revolving loans receivable of \$718,704 and \$594,089 and cash of \$189,592 and \$321,173, respectively.

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	June 30, 2011	Additions	Deductions	June 30, 2012
Land, not being depreciated	\$ 18,500	\$ -	\$ -	\$ 18,500
Assets being depreciated:				
Buildings	1,091,331	-	-	1,091,331
Equipment	459,413	1,351	-	460,764
Totals at historical cost	1,569,244	1,351	-	1,570,595
Less: accumulated depreciation	(495,034)	(59,560)	-	(554,594)
Capital Assets - Net	<u>\$ 1,074,210</u>	<u>\$ (58,209)</u>	<u>\$ -</u>	<u>\$ 1,016,001</u>

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	June 30, 2010	Additions	Deductions	June 30, 2011
Land, not being depreciated	\$ 18,500	\$ -	\$ -	\$ 18,500
Assets being depreciated:				
Buildings	1,091,331	-	-	1,091,331
Equipment	442,239	17,174	-	459,413
Totals at historical cost	1,552,070	17,174	-	1,569,244
Less: accumulated depreciation	(431,613)	(63,421)	-	(495,034)
Capital Assets - Net	<u>\$ 1,120,457</u>	<u>\$ (46,247)</u>	<u>\$ -</u>	<u>\$ 1,074,210</u>

(8) LONG-TERM DEBT

A summary of activity in long-term debt obligations is as follows:

Description	Balance at June 30, 2011	Issued	Payments	Balance at June 30, 2012
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2017	\$ 126,613	\$ -	\$ 10,282	\$ 116,331
USDA Rural Development, secured by office building, \$100,000, 4.125%, due May, 2040	99,615	-	-	99,615
USDA Rural Development, secured by office building, 2 loans of \$550,000, 4.125%, due June, 2047	1,072,936	-	17,814	1,055,122
	<u>\$ 1,299,164</u>	<u>\$ -</u>	<u>\$ 28,096</u>	<u>\$ 1,271,068</u>

Description	Balance at June 30, 2010	Issued	Payments	Balance at June 30, 2011
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2017	\$ 133,906	\$ -	\$ 7,293	\$ 126,613
USDA Rural Development, secured by office building, \$100,000, 4.125%, due May, 2040	100,000	-	385	99,615
USDA Rural Development, secured by office building, 2 loans of \$550,000, 4.125%, due June, 2047	1,087,030	-	14,094	1,072,936
	<u>\$ 1,320,936</u>	<u>\$ -</u>	<u>\$ 21,772</u>	<u>\$ 1,299,164</u>

Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2012:

Year	Principal	Interest	Requirements
2013	\$ 26,512	\$ 48,796	\$ 75,308
2014	27,184	48,022	75,206
2015	27,883	47,221	75,104
2016	28,611	46,483	75,094
2017	29,370	45,714	75,084
2018-22	173,415	212,767	386,182
2023-27	132,466	187,119	319,585
2028-32	162,136	157,449	319,585
2033-37	198,451	121,134	319,585
2038-42	229,128	77,041	306,169
2043-47	235,912	27,982	263,894
	<u>\$ 1,271,068</u>	<u>\$1,019,728</u>	<u>\$2,290,796</u>

(9) DEPRECIATION RESERVES

The notes payable to the United States Department of Agriculture - Rural Development require depreciation reserve accounts be established. The District is required to deposit \$6,336 annually until a balance of \$63,300 is attained. The balance at June 30, 2012 and 2011 was \$33,495 and \$22,722, respectively, equal to the required balance.

(10) CONCENTRATIONS

The District depends on grants from federal and state sources for its continued existence.

(11) PENSION PLAN

County Employees Retirement System

Substantially all full-time employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.96% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the years ending June 30, 2012, 2011, and 2010 were \$124,073, \$118,735, and \$131,033, respectively, equal to the required contributions for the year.

(12) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was \$887,903. The bank balance totaled \$1,123,358, of which \$621,153 was covered by Federal depository insurance, with the remainder covered by collateral.

(13) CONTINGENCIES

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

(14) INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation

insurance.

(15) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

(16) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

(17) LEASE COMMITMENTS

The District also has operating leases for office equipment. Rental expense for the year ending June 30, 2012 and 2011 was \$19,496 and \$21,731, respectively.

Future minimum lease payments under the operating leases are as follows:

<u>Year</u>	
2013	\$ 19,080
2014	<u>7,950</u>
	<u>\$ 27,030</u>

(18) DEFERRED REVENUE

The June 30, 2012 and 2011 deferred revenue or unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2012</u>	<u>2011</u>
JFA – Economic Development	\$ 221	\$ 221
JFA – CDBG	69	69
JFA – ARC	14,211	14,143
JFA – Management Assistance	142	142
JFA – Program Administration	274	276
Aging – Administration	167	852
Adult Day Care	84	48
Homecare – Administration	1,111	911
Homecare – Social Services	19,467	18,373
Title III C-1	860	955
Title III C-2	-	9,306
Title III B	1,007	118
Title III E	610	688
Hazard Mitigation	-	8,964
HICA	1,478	2,652
MIPPA	2,725	569
Title III D	8,663	8,426
KY Caregiver	84	75
WIA	-	172
Transportation	287	285
ADRM	1,768	18
Money Follows Person	6,845	3,867
PCAP	61	47
NSIP	7,167	7,162
ARRA	55	55
	<u>\$ 67,356</u>	<u>\$ 78,394</u>

(19) RELATED PARTY TRANSACTIONS

The District provides fiscal management services to Gateway CDO Program as Fiscal Agent (GADD CDO). GADD CDO operates the Consumer Directed Options program for the Cabinet for Health and Family Services and the Department of Aging and Independent Living (DAIL) for the Gateway Area District. Waiver clients have the option to choose CDO at any time. The District serves as the fiscal agent for the client and as a support broker. For support broker, the District earns \$265 per month per client based upon an actual visit made by District staff. For assessments, the District earns \$100 when a new client is initially assessed or re-assessed annually. For financial management, the District earns \$100 per month per client. For medical goods, the CDO program bills the state for actual costs when the need is determined. For payroll, claims are submitted to the state after each payroll is processed. During the years ended June 30, 2012 and 2011, the District earned \$260,185 and \$221,106, respectively from the CDO program for administration and the District was owed \$87,079 and \$104,240, respectively by the CDO program.

(20) PRIOR YEARS GRANT ACTIVITY

The following adjustments and write-offs have been made as a result of prior year activities:

	<u>2012</u>	<u>2011</u>
Receivables	\$ 30,000	\$ 6,565
Accumulated depreciation	-	(6,475)
Long-term debt	-	1,035
	<u>\$ 30,000</u>	<u>\$ 1,125</u>

(21) FUNDS HELD FOR MORGAN COUNTY TORNADO RELIEF FUND

The District acts as the fiscal sponsor for the Morgan County Tornado Relief Fund. As of June 30, 2012, the District had received \$121,844 in donations for the Morgan County Tornado Relief Fund which are included in restricted cash and a like amount as the liability Funds Held for Morgan County Tornado Relief Fund. The fund was established to assist residents of Morgan County who are victims of the March 2, 2012 tornado. Charitable contributions to the Morgan County Tornado Relief Fund are tax-deductible under section 170(c)(1) of the Internal Revenue Code, since made for a public purpose.

(22) RECLASSIFICATIONS

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation with no effect on previously reported results of activities or net assets.

SUPPLEMENTAL INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
INDIRECT EXPENDITURES:		
Salaries	\$ 151,792	\$ 168,388
Fringe benefits	74,924	74,098
Travel	14,491	9,092
Accounting and audit	16,900	18,000
Equipment, leases, depreciation and amortization	85,306	82,684
Supplies	6,561	8,434
Postage	1,164	2,228
Telephone and utilities	28,960	29,592
Committee meetings	4,341	2,793
Dues, fees, and subscriptions	9,458	5,939
Insurance	14,303	15,231
Interest	47,767	49,114
Other	24,019	16,640
Total	<u>\$ 479,986</u>	<u>\$ 482,233</u>

ALLOCATION OF SHARED COSTS:

Joint Funding Administration	\$ 86,750	\$ 90,781
Homecare	77,119	55,232
Aging Title III	43,690	39,280
Other Aging related contracts	21,607	28,173
Consumer Direct Options Program	62,226	58,895
WIA	4,659	30,456
TANF	-	1,386
Menifee County ARC Planning	7,428	-
Morgan/Wolfe Rural Development	31,834	-
Transportation Planning	29,020	30,133
NIMS	1,058	1,503
Revolving Loan Program	4,755	4,653
NHPLP Grants	359	569
Hazard Mitigation	16,755	2,031
KYTC Roadway and Operations	2,671	6,290
Performance contracts	90,055	132,851
Total	<u>\$ 479,986</u>	<u>\$ 482,233</u>

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET

JOINT FUNDING ADMINISTRATION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Budget Over (Under) Actual</u>
REVENUES					
Federal	\$135,843			\$135,843	\$ -
State	87,889			87,889	-
Local Funds	-			77	77
Total revenues	<u>223,732</u>			<u>223,809</u>	<u>77</u>
EXPENSES					
Community & Economic Planning & Development (120)	80,625	49,788	30,876	80,664	(39)
Community Development Block Grant (125)	31,000	19,088	11,967	31,055	(55)
Appalachian Regional Commission Planning (130)	111,817	68,059	43,827	111,886	(69)
Management Assistance (140)	145	62	40	102	43
Program Administration (150)	<u>145</u>	<u>62</u>	<u>40</u>	<u>102</u>	<u>43</u>
Total expenses	<u>223,732</u>	<u>137,059</u>	<u>86,750</u>	<u>223,809</u>	<u>(77)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING

FOR THE YEAR ENDED JUNE 30, 2012

	Agency Adminis- tration	Support Services B	Cong. Meals C-1	H.D. Meals C-2	Health Prevention D	Caregiver E	Ombuds- man - VII	Elder Abuse VII	Totals
REVENUES									
Federal grant	\$ 40,870	\$ 106,641	\$ 131,242	\$ 70,518	\$ 5,268	\$ 40,169	\$ 3,105	\$ 1,546	\$ 399,359
State grant	17,111	50,136	8,273	10,802	4,546	-	-	-	90,868
Local	-	32,355	21,834	78,675	-	13,589	548	273	147,274
Program income	-	2,133	18,719	5,608	-	-	-	-	26,460
Local funds applied	-	-	-	-	-	-	-	-	-
Total revenues	<u>57,981</u>	<u>191,265</u>	<u>180,068</u>	<u>165,603</u>	<u>9,814</u>	<u>53,758</u>	<u>3,653</u>	<u>1,819</u>	<u>663,961</u>
EXPENSES:									
Direct expenses:									
Salaries	18,761	9,337	3,540	-	1,177	9,655	-	-	42,470
Fringe benefits	13,061	6,802	2,523	-	423	1,738	-	-	24,547
Staff travel	1,344	541	-	-	-	661	-	-	2,546
Contracts	-	161,063	169,553	165,603	-	13,589	3,653	1,819	515,280
Other	4,069	3,000	500	-	7,171	20,688	-	-	35,428
Total direct expenses	<u>37,235</u>	<u>180,743</u>	<u>176,116</u>	<u>165,603</u>	<u>8,771</u>	<u>46,331</u>	<u>3,653</u>	<u>1,819</u>	<u>620,271</u>
Shared costs	<u>20,746</u>	<u>10,522</u>	<u>3,952</u>	<u>-</u>	<u>1,043</u>	<u>7,427</u>	<u>-</u>	<u>-</u>	<u>43,690</u>
Total expenses	<u>57,981</u>	<u>191,265</u>	<u>180,068</u>	<u>165,603</u>	<u>9,814</u>	<u>53,758</u>	<u>3,653</u>	<u>1,819</u>	<u>663,961</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2012

	Homecare		Adult Day Services	Personal Care Program	NSIP	ADRC	Money Follows Person	CMS - SHIP	LTC Ombudsman	KY Caregiver	MIPPAA	Total HC & Other	Aging, HC & Other Totals
	Adminis- tration	Social Services											
REVENUES													
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ 31,841	\$ 3,495	\$ 4,043	\$ 19,494	\$ -	\$ -	\$ 8,098	\$ 66,971	\$ 466,330
State grant	26,350	289,606	52,963	254,083	-	-	-	-	29,174	43,983	-	696,159	787,027
Local	-	8,950	-	-	-	550	-	-	-	-	-	9,500	156,774
Program income	-	-	-	-	-	-	-	-	-	-	-	-	26,460
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>26,350</u>	<u>298,556</u>	<u>52,963</u>	<u>254,083</u>	<u>31,841</u>	<u>4,045</u>	<u>4,043</u>	<u>19,494</u>	<u>29,174</u>	<u>43,983</u>	<u>8,098</u>	<u>772,630</u>	<u>1,436,591</u>
EXPENSES													
Direct expenses:													
Salaries	9,295	82,627	2,144	2,182	-	1,513	1,514	9,493	-	2,978	3,727	115,473	157,943
Fringe benefits	5,557	20,812	1,514	1,566	-	556	933	1,984	-	1,944	1,090	35,956	60,503
Staff travel	-	22,536	65	276	-	66	-	297	-	86	110	23,436	25,982
Contracts	-	68,951	46,755	245,500	31,841	-	-	-	29,174	-	-	422,221	937,501
Other	1,815	36,194	100	2,115	-	561	-	237	-	35,766	30	76,818	112,246
Total direct expenses	<u>16,667</u>	<u>231,120</u>	<u>50,578</u>	<u>251,639</u>	<u>31,841</u>	<u>2,696</u>	<u>2,447</u>	<u>12,011</u>	<u>29,174</u>	<u>40,774</u>	<u>4,957</u>	<u>673,904</u>	<u>1,294,175</u>
Shared costs	<u>9,683</u>	<u>67,436</u>	<u>2,385</u>	<u>2,444</u>	<u>-</u>	<u>1,349</u>	<u>1,596</u>	<u>7,483</u>	<u>-</u>	<u>3,209</u>	<u>3,141</u>	<u>98,726</u>	<u>142,416</u>
Total expenses	<u>26,350</u>	<u>298,556</u>	<u>52,963</u>	<u>254,083</u>	<u>31,841</u>	<u>4,045</u>	<u>4,043</u>	<u>19,494</u>	<u>29,174</u>	<u>43,983</u>	<u>8,098</u>	<u>772,630</u>	<u>1,436,591</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES

CONSUMER DIRECTED OPTION (CDO) PROGRAM

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Support</u>	<u>Management</u>	<u>Total CDO</u>
REVENUES			
State grant	\$ 190,485	\$ 69,700	\$ 260,185
Local revenue	-	-	-
Total revenues	<u>190,485</u>	<u>69,700</u>	<u>260,185</u>
EXPENSES			
Direct expenses:			
Salaries	54,650	21,055	75,705
Fringe benefits	15,138	4,605	19,743
Staff travel	4,039	845	4,884
Other	1,297	88	1,385
Total direct expenses	<u>75,124</u>	<u>26,593</u>	<u>101,717</u>
Shared costs	<u>45,497</u>	<u>16,729</u>	<u>62,226</u>
Total expenses	<u>120,621</u>	<u>43,322</u>	<u>163,943</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 69,864</u>	<u>\$ 26,378</u>	<u>\$ 96,242</u>

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES

WORKFORCE INVESTMENT ACT

FOR THE YEAR ENDED JUNE 30, 2012

	Dislocated Worker	Adult Services	Total
REVENUES			
Federal grant revenue	\$ 5,012	\$ 7,893	\$ 12,905
State grant revenue	-	-	-
Local revenue	-	-	-
Total revenues	<u>5,012</u>	<u>7,893</u>	<u>12,905</u>
EXPENSES			
Direct expenses:			
Salaries	1,907	2,931	4,838
Fringe benefits	1,273	1,976	3,249
Travel	-	159	159
Other direct costs	-	-	-
Total direct expenses	<u>3,180</u>	<u>5,066</u>	<u>8,246</u>
Shared costs	<u>1,832</u>	<u>2,827</u>	<u>4,659</u>
Total expenses	<u>5,012</u>	<u>7,893</u>	<u>12,905</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

FOR THE YEAR ENDED JUNE 30, 2012

	JFA Totals	Area Agency on Aging Totals	WIA	Menifee County ARC Planning	Morgan/Wolfe Rural Develop- ment	Trans- portation	NIMS	Revolving Loan Program	NHPLP Grants	Hazard Mitigation	Roadway	Performance Contracts	CDO Totals	Admin- istrative Expense	Local Operations	Totals
REVENUES																
Federal grant	\$135,843	\$ 466,330	\$12,905	\$ 18,794	\$ 81,789	\$ -	\$2,650	\$ -	\$ -	\$ 33,160	\$ 5,120	\$ -	\$ -	\$ -	\$ -	\$ 756,591
State grant	87,889	787,027	-	-	-	67,158	-	-	-	-	1,280	221,249	260,185	-	-	1,424,788
Local	-	156,774	-	1,447	630	7,462	-	-	-	10,510	-	1,280	-	-	65,344	243,447
Program income	-	26,460	-	-	-	-	-	15,453	2,497	-	-	-	-	-	48,991	93,401
Local funds applied	77	-	-	-	-	456	28	-	-	-	467	19,293	-	-	(20,321)	-
Total revenues	<u>223,809</u>	<u>1,436,591</u>	<u>12,905</u>	<u>20,241</u>	<u>82,419</u>	<u>75,076</u>	<u>2,678</u>	<u>15,453</u>	<u>2,497</u>	<u>43,670</u>	<u>6,867</u>	<u>241,822</u>	<u>260,185</u>	<u>-</u>	<u>94,014</u>	<u>2,518,227</u>
EXPENSES																
Direct expenses:																
Salaries	80,888	157,943	4,838	7,109	30,331	26,569	988	4,303	342	17,646	2,551	85,359	75,705	151,792	-	646,364
Fringe benefits	52,177	60,503	3,249	4,284	18,500	17,944	611	2,991	210	8,055	1,610	52,775	19,743	74,924	-	317,576
Staff travel	3,173	25,982	159	298	684	1,492	21	-	-	150	35	6,039	4,884	14,491	-	57,408
Contracts	-	937,501	-	-	-	-	-	-	-	-	-	2,500	-	-	64,287	1,004,288
Other	821	112,246	-	1,122	1,070	51	-	-	1,569	1,064	-	5,094	1,385	238,779	13,696	376,897
Total direct expenses	<u>137,059</u>	<u>1,294,175</u>	<u>8,246</u>	<u>12,813</u>	<u>50,585</u>	<u>46,056</u>	<u>1,620</u>	<u>7,294</u>	<u>2,121</u>	<u>26,915</u>	<u>4,196</u>	<u>151,767</u>	<u>101,717</u>	<u>479,986</u>	<u>77,983</u>	<u>2,402,533</u>
Shared costs	<u>86,750</u>	<u>142,416</u>	<u>4,659</u>	<u>7,428</u>	<u>31,834</u>	<u>29,020</u>	<u>1,058</u>	<u>4,755</u>	<u>359</u>	<u>16,755</u>	<u>2,671</u>	<u>90,055</u>	<u>62,226</u>	<u>(479,986)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>223,809</u>	<u>1,436,591</u>	<u>12,905</u>	<u>20,241</u>	<u>82,419</u>	<u>75,076</u>	<u>2,678</u>	<u>12,049</u>	<u>2,480</u>	<u>43,670</u>	<u>6,867</u>	<u>241,822</u>	<u>163,943</u>	<u>-</u>	<u>77,983</u>	<u>2,402,533</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,404</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$96,242</u>	<u>\$ -</u>	<u>\$ 16,031</u>	<u>\$ 115,694</u>

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
<u>Appalachian Regional Commission</u>			
JFA-ARC Planning	23.009	KY-0702D-C42	\$ 55,843
Menifee County ARC Planning	23.011	KY-17058-2011	18,794
Total Appalachian Regional Commission			<u>74,637</u>
<u>Economic Development Administration</u>			
Title IX RLP	11.307	043903321	* 690,288
Passed Through the State			
Department of Local Government -			
JFA - Community and Economic Assistance	11.302	PON2 1100003181	64,500
Total Economic Development Administration			<u>754,788</u>
<u>U. S. Department of Housing & Urban Development</u>			
Passed Through the State			
Department of Local Government -			
JFA-Community Development Block Grant	14.219	PON2 1100003181	15,500
Total Department of Housing & Urban Development			<u>15,500</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through the Kentucky Cabinet			
for Health and Family Services -			
Title III-B - Supportive Services	93.044	PON2 725 1100002181 3	* 147,512
Title III-C1 - Congregate Meals	93.045	PON2 725 1100002181 3	* 131,242
Title III-C2 - Home Delivered Meals	93.045	PON2 725 1100002181 3	* 70,518
Nutrition Services Incentive Program	93.053	PON2 725 1100002181 3	* 31,841
Total Aging Cluster			<u>381,113</u>
Title III-E - Family Caregiver	93.052	PON2 725 1100002181 3	40,169
Title III-D - Aging Program Preventive Health	93.043	PON2 725 1100002181 3	5,268
Title VII - Elder Abuse Prevention	93.041	PON2 725 1100002181 3	1,546
Title VII - Ombudsman	93.042	PON2 725 1100002181 3	3,105
CMS - SHIP	93.779	PON2 725 1100002181 3	19,494
ACA - MIPPA - SHIP	93.779	PON2 725 1100002181 3	3,216
ACA - MIPPA - AAA	93.518	PON2 725 1100002181 3	2,644
ACA - MIPPA - ADRC	93.518	PON2 725 1100002181 3	2,238
Aging and Disability Resource Center (ADRC)	93.779	PON2 725 1100002181 3	3,495
Money Follows Person	93.791	PON2 725 1100002181 3	4,043
Total Passed Through the State (CHFS DAIL)			<u>466,331</u>
Total Department of Health and Human Services			<u>466,331</u>

The accompanying notes are an integral part of this schedule.

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through the State (KOHS) and Northern Kentucky Area Development District - NIMS Cast	97.067	P02 0451 2	2,650
Passed Through the State (Division of Emergency Management) - Pre-Disaster Mitigation	97.047	PON2 095 100000506	33,160
Total U.S. Department of Homeland Security			35,810
<u>U.S. Department of Transportation</u>			
Passed Through the Kentucky Transportation Cabinet - Division of Planning - Roadway Centerline Program	20.205	1100006406	4,160
Type of Operations Program	20.205	1200003614	960
Total U.S. Department of Transportation			5,120
<u>U.S. Department of Agriculture - Rural Development</u>			
Morgan/Wolfe Rural Business Enterprise Grant	10.769	21-003-929076374	81,789
Total U.S. Department of Agriculture - Rural Development			81,789
<u>U.S. Department of Labor</u>			
Passed Through the Kentucky Cabinet for Workforce Development - Tenco - PIC - WIA - Adult	17.260	FY12-5410	7,893
WIA - Dislocated Worker	17.278	FY12-5410	5,012
Total WIA Cluster			12,905
Total U.S. Department of Labor			12,905
Total Expenditures of Federal Awards			\$ 1,446,880

* Denotes Major Program.

The accompanying notes are an integral part of this schedule.

GATEWAY AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(1) Basis of Presentation

This accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gateway Area Development District (the District) under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(3) LOANS

At June 30, 2012, GADD had loans outstanding in the amount of \$718,742 with an allowance for doubtful accounts of \$235,353 under the Title IX-RLF loan program.

(4) SUBRECIPIENTS

Of the federal expenditures presented in the schedule, GADD provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount Provided</u>
Title III	93.044 & 93.045	\$ 285,014
Ombudsman	93.042	3,105
Elder Abuse	93.041	1,546
Nutrition Services Incentive Program	93.053	31,841



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Gateway Area Development District
Morehead, Kentucky

We have audited the accompanying financial statements of Gateway Area Development District as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Kelley, Galloway & Company, PSC

September 26, 2012



Kelley,
Galloway &
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Gateway Area Development District
Morehead, Kentucky

Compliance

We have audited the Gateway Area Development District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gateway Area Development District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Keller, Dalloway & Company, PSC

September 26, 2012

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements-

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ☐ Material weakness(es) identified? _____ Yes X No
- ☐ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards-

Internal control over major programs:

- ☐ Material weakness(es) identified? _____ Yes X No
- ☐ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs CFDA No.

Title III Aging Cluster 93.044 & 93.045 & 93.053
 Title IX RLP 11.307

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? X Yes _____ No

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2012

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE
WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None noted in the current year.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted in the current year.

**GATEWAY AREA DEVELOPMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no findings in the prior year.

**GATEWAY AREA DEVELOPMENT DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012**

NAME OF CONTACT PERSON

Gail Wright, Executive Director

(606) 780-0090

CORRECTIVE ACTION PLANNED

No corrective action needed.